

United States Senate

WASHINGTON, DC 20510

May 5, 2006

The Honorable George W. Bush
The White House
1600 Pennsylvania Ave
Washington DC 20500

Dear Mr. President:

We are gravely concerned with Secretary Bodman's announcement that the Department of Energy (DOE) is compelling its contractors to stop providing the secure pension and health care benefits contractors have long offered their workers. We urge you to demand that DOE rescind this policy.

Defined benefit pension plans are the bedrock of retirement security. Over 40 million workers and retirees rely on these plans to provide a guaranteed income for them in their old age. These benefits protect the elderly against poverty, by ensuring that they are not forced to bear the risk of stock market declines or of living longer than they expected. These secure pensions also provide critical protections to widowed spouses, who rely on survivor benefits to sustain them in their old age. This directive attempts to undermine the commitment that employers have made, and the employee-employer relationship that has been established, by virtue of an employer's voluntary decision to provide secure retirement benefits.

This policy is a direct attack on Americans' retirement security. It sends a clear signal that this Administration supports the elimination of secure, guaranteed defined benefit pensions. The timing of DOE's actions is especially troubling with Congress now conferencing legislation to strengthen the defined benefit system, and to ensure workers receive the benefits they have earned. You have assured us that your position is to strengthen the defined benefit pension system, not to dismantle it. Yet your credibility is called into serious question when your Department's stated policy prevents even those employers who want to provide defined benefit plans to their workers from doing so.

We are equally concerned that this new policy will erode the quality and comprehensiveness of health care benefits for employees, and could unfairly penalize the least healthy workers. The policy imposes arbitrary limitations on health care plans that DOE contractors may offer. The requirement of Secretarial approval for any augmentation of the healthcare plan will prove unworkable given that such plans are constantly updated at DOE facilities by the insurance providers. This approach goes against current DOE's policy of providing broad policy guidance while leaving day-to-day operations of the facilities to the management and operations contractor.

In addition, many defined contribution health plans rely on less comprehensive high-deductible health plans to deliver benefits. Few of these plans employ innovative care-management techniques that have been effective in reducing costs while improving health outcomes. Reducing the comprehensiveness of coverage and imposing higher cost sharing responsibilities shifts costs to workers and puts less healthy workers at risk for spending more for their health care. Research suggests that increasing cost-sharing for health benefits causes many individuals to delay seeking care when they need it, leading to greater emergency room use and a greater number of adverse health events. In a time of rising health costs, an approach which shifts costs to workers and drives up spending system-wide is not the right solution.

We also have serious questions about this policy's impact on the Davis-Bacon Act and Service Contract Act. These laws require that federal government contracts provide for prevailing wages and benefits, critical protections which were designed to prevent the federal government from undermining local labor markets. By driving down workers' benefits, the DOE notice directly contradicts this underlying policy.

We urge you to overturn this ill-conceived policy as soon as possible, and we look forward to a prompt reply to our request.

Sincerely,

 Harry Reid	 Edward M. Kennedy	 Max Baucus
 Jeff Bingaman	 Tom Harkin	 Barbara Mikulski
 Maria Cantwell		 Patty Murray

Cc: The Honorable Samuel Bodman, Secretary of Energy